

UNITED STATES SECURITIES AND EXCHANGE COMMISSION



In the Matter of: )  
 ) File No. B-03221-A  
LBRY )

WITNESS: Jeremy Kauffman

PAGES: 1 through 357

PLACE: Securities and Exchange Commission

New York Regional Office

200 Vesey Street, 4th Floor

New York, New York 10281

DATE: Thursday, June 13, 2019

The above-entitled matter came on for a hearing,  
pursuant to notice, at 9:10 a.m.

Diversified Reporting Services, Inc.

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1 beginning of 2016.

2 Q So just when we go today and we talk  
3 about LBRY, I'm going -- so there's LBRY, Inc.,  
4 which is the corporation. And when I use the  
5 phrase "LBRY" or the word "LBRY" -- I don't know  
6 if you call it a word, or you call it something  
7 else -- the title --

8 A "Word" is fine.

9 Q L-B-R-Y, I'm going to refer to the  
10 company, LBRY, Inc., and I ask you to do the  
11 same. If you're going to be talking about  
12 something else, like LBRY protocol or LBRY  
13 application or something else that is not the  
14 corporation, would you please just so designate.  
15 I'll try to do the same. So when I use "LBRY", I  
16 mean the company. Does that make sense?

17 A So to be clear, if we're using LBRY  
18 without any adornment or qualifier, we're  
19 intending to refer to LBRY, Inc., the company?

20 Q Correct.

21 A Understood.

22 Q All right. So who started LBRY, Inc.?

23 A Jimmy Kiselak.

24 Q And who is that?

25 A A friend of mine from college.

1 multiple pieces of software that enable that  
2 network to happen?

3 A Well, BitTorrent is also a protocol.  
4 So once something is a protocol, you have a set  
5 of rules, and any number of pieces of software,  
6 so long as they're following the rules and  
7 interact with it. So there's probably dozens of  
8 discreet implementations, if not more of  
9 BitTorrent.

10 Q So with respect to LBRY, you're saying  
11 that LBRY's mission needed LBRY protocol; is that  
12 right?

13 A Yes.

14 Q All right. What other components did  
15 LBRY need to build in order to create this  
16 decentralized distribution system?

17 A In order -- in terms of the protocol  
18 itself, you basically need the blockchain  
19 component and the data-network component. And  
20 that is the protocol.

21 Q So was the protocol in of itself the  
22 only goal that LBRY was trying to accomplish?

23 A Can you clarify the question?

24 Q Sure. So LBRY was -- you said the  
25 mission was to create a -- what -- a

1 decentralized content -- digital content

2 distribution system; is that right?

3 A Yeah.

4 Q All right. And you're saying that to

5 do that, LBRY needed to create a blockchain or a

6 protocol; is that right?

7 A The blockchain is part of the

8 protocol.

9 Q All right. So you needed to create a

10 protocol; is that right?

11 A Yeah.

12 Q Did LBRY have any other sort of goals

13 in order to create -- or technical pieces to

14 satisfy its mission?

15 A Can somebody -- you have to do the --

16 yes, you have to do other things, or you can't --

17 if you make -- if you make something, you don't

18 tell anyone about it, for example, no one will

19 use it.

20 Q Okay. So you're saying that LBRY

21 needs to publicized its protocol?

22 A That would be an example of something

23 that I think is necessary.

24 Q Let me try to see if -- is the -- my

25 understanding is that LBRY was trying to create a

1 Q I'm not only referring to, like, a GUI  
2 application or something.

3 A Okay.

4 Q I just -- there are -- there's a way  
5 in which a user is going to interact with the  
6 protocol, and that was something that LBRY was  
7 trying to develop; is that correct?

8 A Correct.

9 Q And you mentioned -- is it a demon, or  
10 a daemon?

11 A Daemon.

12 Q Daemon, okay. And what's a daemon?

13 A A daemon is a software process that  
14 runs in the background. So your operating system  
15 launches it and uses it, but it's not visible to  
16 you as a user.

17 Q And has LBRY developed a daemon that  
18 involves either the GUI application or the  
19 protocol?

20 A So the GUI application is basically  
21 the equivalent of a website, it's Java script and  
22 HTML, and it's bundled with the daemon. The  
23 daemon enables any application. Once the daemon  
24 has been installed in the machine, any number of  
25 applications now have the ability to use LBRY

1 functionality.

2 Q And who developed the daemon  
3 associated with the LBRY protocol?

4 A Many of the same developers that I've  
5 already named.

6 Q So like Jack Robinson, Alex. Anybody  
7 else?

8 A Jimmy.

9 Q Jimmy?

10 A Yeah.

11 Q Who is -- I don't want to butcher his  
12 name -- Lex Berezhny?

13 A Lex is currently our lead developer on  
14 the LBRY daemon.

15 Q And what is his responsibilities?

16 A He maintains that software package,  
17 develops it, merges changes, reviews code  
18 changes; all of those things.

19 Q And has he been focused on the daemon  
20 for his entire time at LBRY?

21 A Yes.

22 Q And does Jack Robinson have a current  
23 focus at LBRY?

24 A Jack is also -- Jack is on the same  
25 team as Lex.

1 Q So their focus is on the daemon; is  
2 that right?

3 A Yes. We call them protocol engineers.  
4 They're focused on the LBRY protocol.

5 Q Do they also work on the protocol  
6 itself?

7 A Yes. The daemon is an implementation  
8 of the protocol. So you have the protocol, which  
9 is the definition of how everything works, and  
10 then you have an implementation of the protocol.

11 Q In terms of in GitHub -- what is  
12 GitHub?

13 A GitHub is a software service product  
14 for managing Git repositories.

15 Q And how does LBRY use GitHub?

16 A LBRY uses GitHub to manage its Git  
17 repositories.

18 Q And what is a Git repository?

19 A A Git repository is a system for  
20 managing software code changes.

21 Q And is the daemon on GitHub, or is  
22 there a repository on GitHub?

23 A Yes, it's on GitHub. Git is a  
24 protocol, GitHub is an application.

25 Q Jeremy, I'm handing you what's been

1 marked as Exhibit Number 13. The top of Exhibit

2 13 is "Contributors to LBRYIO/LBRY GitHub".

3 Do you see that?

4 A Yes.

5 Q And have you ever seen a printout like  
6 this before?

7 A I am familiar with this.

8 Q All right.

9 A And this type of work.

10 Q And so the -- is this a repository on  
11 GitHub, the LBRY?

12 A Yes. This is repository for the LBRY  
13 software daemon.

14 Q And the sort of different components  
15 of the sort of digital decentralized  
16 distribution, do they have -- are there -- how  
17 many repositories are there for LBRY software?

18 A I would -- I would guess if you pulled  
19 up our GitHub, there's probably over 50  
20 repositories; but in terms of how many  
21 repositories are actually related to the LBRY  
22 protocol itself -- but -- so also there's a  
23 long-tail effect here. You end up throwing up a  
24 repository for some small projects, three days  
25 and you don't -- you don't come back to it, but



1 there's probably a couple. Maybe three  
2 repositories or four that would be considered to  
3 be the core part of the protocol.

4 Q And what are those core parts?

5 A LBRY CRD, the blockchain software.  
6 LBRY, the one we're looking at now, which is --  
7 we -- we -- this is -- we've actually switched to  
8 calling this the LBRY SDK, but it's still a  
9 daemon. We just thought that it was confusing to  
10 call it just LBRY. So this LBRY SDK, this  
11 contains the data network implementation. It  
12 also bundles another project called Torba, which  
13 is the wallet implementation. And then, I would  
14 consider wallet servers themselves, which is yet  
15 another repo, to be also a core part of the  
16 protocol. It's -- and another core part of the  
17 protocol would be the types repo, which specifies  
18 the metadata structures that are embedded within  
19 the LBRY blockchain.

20 Q How many was that?

21 A That was five.

22 Q Five. So the date on here is August  
23 16, 2015. Do you see that?

24 A Yes.

25 Q All right. Does that refresh your

1 significant contributions to the LBRY daemon?

2 A Yes.

3 Q Number 9 is Alex Leibowitz.

4 A Yes.

5 Q Do you believe that he's made

6 significant -- who is that?

7 A He was a programmer who worked for us

8 for a short period.

9 Q And do you believe that Alex has made  
10 significant contributions to LBRY daemon?

11 A Maybe it would -- it would be helpful  
12 to define the word "significant", in terms of --  
13 we're getting to the threshold of the -- of what  
14 may be the answer is no.

15 Q Well, what do you believe  
16 "significant" means?

17 A I mean, if I were to argue that every  
18 meaningful change is significant, we could  
19 probably go through most of these people, and  
20 most of these people have made a meaningful and  
21 useful change. So -- but if you were using  
22 "significant" to judge relative contributions,  
23 that is, contributions below a certain percentage  
24 of the total activity that happened, we're  
25 starting to approach people whose percentage of

1 contributions would not be that large. That  
2 doesn't mean they weren't helpful or meaningful.

3 Q Why don't we use the sort of -- the  
4 second understanding of significant, in terms of  
5 relevant -- or, like, the percentage of their  
6 contribution to the LBRY daemon.

7 A I would guess that, basically, no one  
8 else on this list at this point would have made  
9 -- maybe I'll say the word -- "substantial"  
10 contributions.

11 Q With respect to Exhibit 14, it's  
12 another GitHub contributors list?

13 A Yes.

14 Q This one is for a different  
15 repository, I believe. "LBRY-Desktop", do you  
16 see that?

17 A Yes. This is our graphical desktop  
18 application.

19 Q And what is that?

20 A This is an application that you can  
21 install on your desktop computer, so I use that  
22 word to mean a computer that runs Linux, MacOS or  
23 Windows.

24 Q And was the desktop application  
25 created by LBRY?

1 A Yes.

2 Q Looking at the list of contributors.

3 The Number 1 here is a John Yesmunt?

4 A Yep.

5 Q And do you know who that is?

6 A Yes, he's our lead desktop application  
7 developer.

8 Q What are his responsibilities?

9 A He develops the LBRY desktop  
10 application.

11 Q Does he work with anybody else at LBRY  
12 to do that?

13 A I -- he works with an intern, he works  
14 with me, and he works with a couple other members  
15 on -- that are doing other applications; but, you  
16 know, some people are cross-functional and will  
17 jump in and out of projects.

18 Q And has Sean made a substantial  
19 contribution to the LBRY desktop application?

20 A Yes.

21 Q And just running down the list, I see  
22 that you're listed as Number 3.

23 A Yes.

24 Q Would you say that you've made a  
25 substantial contribution to the LBRY desktop

1 are back on the record.

2 MR. VITO: So, Jeremy, I'm just  
3 trying to understand GitHub a little better  
4 because I -- we're not engineers and we  
5 don't pretend to be.

6 But presumably, there's some  
7 amount of code that LBRY has an interest in  
8 protecting because it developed it. And  
9 having a sort of open-source environment  
10 where anybody can change the code would  
11 seem like a -- a security risk on some  
12 level. You know, you could think of a  
13 scenario where a hacker goes in and figures  
14 out a way to skim off LBRY credits, and  
15 implements it into the code.

16 So how does that get handled,  
17 you know, in this sort of GitHub  
18 environment? If there's a changing code,  
19 is it immediately implemented into the  
20 application?

21 THE WITNESS: No.

22 MR. VITO: And can you explain  
23 how that works?

24 THE WITNESS: Any member of the  
25 public, anyone with a GitHub account can

1 essentially propose a code change. And  
2 then, those changes are reviewed by a  
3 member of the team that is responsible for  
4 that specific repository. And then, they  
5 are either accepted and merged in, or  
6 rejected until fixed or just rejected  
7 outright.

8 MR. VITO: So who are the  
9 members of the team that -- I guess, it  
10 would be better to pick a specific  
11 repository. So let's just use the daemon,  
12 I guess.

13 THE WITNESS: Sure.

14 MR. VITO: So who on that  
15 repository can review the code?

16 THE WITNESS: Anyone -- anyone  
17 can review the code.

18 MR. VITO: I guess -- okay. So  
19 I'll ask a better question. I apologize.

20 Who can accept or reject changes  
21 to the code?

22 THE WITNESS: It varies by  
23 repository.

24 MR. VITO: So with respect to  
25 the daemon repository, who can?

1 THE WITNESS: I believe that  
2 myself, Alex Grin., Lex Berezhny, Jack  
3 Robinson and Victor Shaba can all do that.  
4 There may be more people who have the  
5 technical ability. Really, it would only  
6 be four people who would ever be candidates  
7 to actually do it. Maybe it's more than  
8 that, but the -- it typically would be Lex,  
9 Jack or Victor. Occasionally, Alex.

10 MR. VITO: So just to -- so that  
11 I understand better. A member of the  
12 community provides a proposed code change.  
13 It goes to one of those individuals. What  
14 is the actual process that needs to be done  
15 in order to accept that change?

16 THE WITNESS: So there's  
17 typically a checklist of things that you  
18 might review. Does the code comply with  
19 the code standards for that repository?  
20 Does it appear to be valid code? Does it  
21 include tests, so that it can be tested in  
22 the future in a non-native fashion? Things  
23 like that.

24 MR. VITO: And let's say it  
25 passes all those checks. How does it,

1 then, get implemented into the actual

2 daemon?

3 THE WITNESS: You issue a

4 command that does that.

5 MR. VITO: And where does that

6 command get issued to?

7 THE WITNESS: It can be done on

8 the command line of anyone with the proper

9 permissions. It can also be done in the

10 user interface of GitHub.

11 MR. VITO: So how do you --

12 where are the permissions set? Are they

13 set on GitHub?

14 THE WITNESS: They're set --

15 they're set in -- I think they're

16 technically set in Git itself, and not on

17 GitHub.

18 MR. VITO: Okay. And who sets

19 the permissions?

20 THE WITNESS: Our CTO is the

21 person who would ultimately have the

22 authority to designate who can and cannot

23 merge, or commit to certain repositories.

24 MR. VITO: Understood.

25 BY MR. MOORES:



1 Q Are the proper -- or who has the  
2 permissions listed on GitHub for each repository?

3 A Could you repeat or rephrase?

4 Q Sure. You talked about: There are  
5 people who have the permission to accept changes  
6 to the code in the repository?

7 A Uh-huh.

8 Q The people who possess that  
9 permission, are they listed in GitHub?

10 A I -- I know that they're listed for me  
11 in GitHub. I do not know if they are visible to  
12 people outside the organization or not. They may  
13 be.

14 Q Where are they listed for you?

15 A I believe if -- in the settings area  
16 of the repository, I can see it, but I -- I'm  
17 fairly confident the settings is not an option;  
18 but it may be listed elsewhere. I just don't  
19 know.

20 Q So GitHub, if you go to one of the  
21 repositories, there's a number of file folders --  
22 or there appears to be, like, a file folder and a  
23 number of other files. Is there one that's just  
24 sort of labeled permissions?

25 A No.

1           A     Well, you can't use the network  
2 without token.

3           Q     Why was it important to get it in  
4 their hands prior to the network launch? So  
5 presale is prior to the network launch?

6           A     Sure. It's generally useful as a  
7 business tech -- if I, as a business, can have  
8 customers ready for my business in advance of the  
9 business be open, that seems beneficial.

10          Q     When the network launched, was the  
11 application available to any user who wanted it?

12          A     I do not know what you mean by "the  
13 application".

14          Q     LBRY application.

15          A     What is the LBRY application?

16          Q     Let's talk about how a user would  
17 interact with the LBRY protocol.

18          A     In July, when the blockchain launched,  
19 users could use the LBRY network, via the command  
20 line. And I believe there was a very rudimentary  
21 UI, basically, at that time -- I think at the  
22 time of launch, there was a basic UI, but I'm not  
23 -- I'm not positive.

24          Q     So user interface, is that what UI  
25 stands for?

1 Q Was that campaign in effect in June of  
2 2018?

3 A I do not recall the exact date on  
4 which that program started.

5 Q I didn't ask when it started.

6 A Oh. The question was?

7 Q Was it ongoing in June of 2018?

8 A In June of 2018, was the YouTube  
9 program live? I believe so.

10 Q Was it live in July of 2018?

11 A Yes. Once it went live, it's never  
12 gone not live.

13 Q And what is the YouTube program?

14 A The YouTube program invites YouTubers  
15 to sync their content to the LBRY network.

16 Q And what incentives are provided to  
17 those YouTubers?

18 A We give them tokens, LBRY tokens, LBRY  
19 credits.

20 Q Why do you give them LBRY credits?

21 A So that they have credits to use on  
22 the network, and to appreciate their  
23 contribution.

24 (SEC Exhibit No. 48 was  
25 marked for identification.)

1 did.

2 MR. VITO: Do you know if the  
3 tool grabs your archives, as well as what's  
4 in the Gmail web client?

5 THE WITNESS: Yeah, I'm a -- I  
6 keep my inbox pretty trim, so I'm sure you  
7 got the archives.

8 MR. VITO: And then, your  
9 archive practice, is that within Gmail or  
10 is it on a hard drive somewhere?

11 THE WITNESS: No, just put it in  
12 Gmail.

13 MR. VITO: Okay.

14 BY MR. MOORES:

15 Q So looking back at the Exhibit 48,  
16 page ending 62. "Business Model", second  
17 paragraph. The sentence that reads, "Each  
18 percentage of the currency can be thought of as  
19 having a value proportional to the sum of all  
20 information transacted through the network".

21 Can you explain what your  
22 understanding of that sentence means?

23 A I believe that sentence is saying that  
24 the currency's value is proportional to the usage  
25 of the network.

1 Q And with respect to LBRY, is currency  
2 LBC?

3 A I believe the word "currency" is  
4 referring to LBC, yes.

5 Q And information transacted through the  
6 network, is that digital content on the LBRY  
7 protocol?

8 A Yes, all -- I mean, all -- all -- it's  
9 -- yes.

10 Q And does that -- is that true for free  
11 content, as well as content that one has to pay  
12 for?

13 A I believe that using the network for  
14 free content does still increase the usefulness  
15 and value, yes.

16 Q The second sentence of the next  
17 paragraph -- well, I'll read the first paragraph.  
18 "Given the situation, the most reasonable path to  
19 profit is to reserve a portion of the  
20 cryptocurrency." Does that mean LBC?

21 A Yes.

22 Q "Early adopters of LBRY and LBRY,  
23 itself, deserve more compensation to compensate  
24 for their commensurate risk." Do you see that?

25 A Yes.

1 Q What does "beta open, mean, or --

2 A I -- that's an awkwardly-phrased  
3 sentence that makes me uncertain, as to what it  
4 would mean specifically, but I would -- it says  
5 we have 1,000 users in July of 2016.

6 Q So to better use the phrase "open  
7 beta"?

8 A We have used that phrase in the past,  
9 yes.

10 Q And what does that refer to?

11 A That would be a beta that's generally  
12 available to the public.

13 Q And is that different from a closed  
14 beta?

15 A Yes.

16 Q And what is a closed beta?

17 A A closed beta is one that you have to  
18 have some kind of invite or permission to -- to  
19 run.

20 Q And in July of 2016, was the beta that  
21 was available a closed beta or an open beta?

22 A Well, remember that LBRY is not one  
23 thing. I believe in July 2016, for example, all  
24 of the -- the command-line software was  
25 completely open, and the graphical software was

1 in closed beta at that time.

2 Q So the GUI, the GUI graphical-user  
3 interface would have been -- well, I'm not sure  
4 there was actually a GUI; but the user interface  
5 in July of 2016 was in closed beta?

6 A The non-graphical interface would have  
7 always been Runnable by our technical users,  
8 because all the code was always open and there  
9 were instructions on how to run it.

10 Q So the graphical-user interface, the  
11 GUI, was in close beta in July of 2016; is that  
12 correct?

13 A Yes. The only projects we ever had in  
14 a closed beta were graphical applications. To my  
15 recollection, the only project we ever had was  
16 closed beta.

17 Q And the business model, when it talks  
18 about "At scale" --

19 A Yes.

20 Q -- did that contemplate technical  
21 users, or non-technical users?

22 A That would contemplate non-technical  
23 users.

24 Q I notice that you, once again, list  
25 the team here at the end of the pitch deck.

1 marked as Exhibit Number 50. It is a  
2 multiple-page document. It does not have a Bates  
3 number. And on the top margin, it says, "Answers  
4 to the big questions from our Reddit AMA LBRY".

5 Do you see that?

6 A Yes.

7 Q What is Reddit?

8 A Reddit is a -- they call themselves  
9 the front page of the internet. It's like a  
10 social site for sharing links and texts.

11 Q And what is an AMA?

12 A AMS stands for "ask me anything".

13 Q And did LBRY, over time, do AMAs?

14 A I believe we have done a couple of  
15 AMAs over time.

16 Q What's the purpose of doing an AMA?

17 A To let -- to check -- to get  
18 publicity. And it's a chance for people to ask  
19 questions, and for you to answer them. And  
20 presumably, that interaction is of interest to  
21 both the questioners and other people.

22 Q And this post appears to be done by  
23 Mike Vine on September 28, 2016.

24 Do you see that?

25 A Yes.



1 Q And it says midway through the  
2 paragraph, "LBRY, Inc., has reserved 10 percent  
3 of all LBRY credits to fund continued development  
4 and provide profit for the founders".

5 Do you see that?

6 The next sentence reads, "Since  
7 credits only gain value as the use of the  
8 protocol grows, the company has an  
9 incentive to continue developing this  
10 open-source project".

11 Do you see that?

12 A Yes.

13 Q The second sentence -- the "Since  
14 credits only gain value" sentence, is that  
15 something you agree with?

16 A It seems like -- reasonable.

17 Q Reasonable for you to agree with it?

18 A I believe that credits gain value as  
19 the use of the protocol grows.

20 Q And that growth creates an incentive  
21 for the company to continue developing the  
22 project?

23 A I believe that that's true.

24 Q The -- there's a couple of bullet  
25 points under that initial paragraph, and it's

1 Q "Our goal is to increase the long-term  
2 value of the protocol, which if adopted globally,  
3 will make our reserve many times more valuable  
4 than any short-term bubble."

5 Do you see that?

6 A Yes.

7 Q Do you agree with that sentence?

8 A I believe that if we achieve the  
9 long-term potential of this project, the credits  
10 would be more valuable than they've ever been  
11 worth.

12 Q The second paragraph on this page  
13 says, "We are also exploring ways to generate  
14 revenue above our credit reserve, including  
15 providing value-added services to LBRY users  
16 and/or consulting to large-content producers that  
17 want to harness LBRY". Do you see that?

18 A Yes.

19 Q Has LBRY disclosed that it was  
20 exploring ways to generate revenue in any other  
21 way besides the credit reserve in different  
22 documents?

23 A I cannot think of a specific document,  
24 but it wouldn't surprise me if this had been  
25 acknowledged in other places.

1 did you draw -- sorry, strike that.

2 Did you understand that people  
3 were buying LBC for speculative or  
4 investment purposes in 2016?

5 A I never had concrete knowledge that  
6 people were doing that, but I believe that people  
7 were doing that.

8 Q What would have been concrete  
9 information in your mind?

10 A Hard evidence that someone was taking  
11 such action.

12 Q Such as?

13 A Perhaps a -- a record of trades or  
14 transactions.

15 Q So if there's statements on Reddit,  
16 Facebook, Twitter or any other messages sent  
17 directly to the company would not have been  
18 sufficient evidence?

19 A I wouldn't consider that to be hard  
20 evidence, but it's evidence.

21 Q So what type of evidence of trades  
22 would be sufficient for you to under -- to  
23 believe that someone was investing in LBC?

24 A I'm -- I'm not sure what you mean.

25 Q So I asked you if you had -- one of

1 Q And was there a sort of cap on the  
2 amount of LBC --

3 A I really don't --

4 Q -- that you were going to sell?

5 A I don't think any -- no actual -- none  
6 of these deals ever got very far. I don't think  
7 any of them ever came to the point of even actual  
8 -- specific with those terms.

9 Q Did you have a conversation with Josh  
10 Finer in 2016 about an investor who was willing  
11 to spend 10,000 U.S. dollars to buy LBC?

12 A I do not recall a conversation in 2016  
13 about a specific investor interested in  
14 purchasing \$10,000 worth of LBC, other than  
15 ShapeShift.

16 Q And how much did ShapeShift pay?

17 A \$10,000. That's why I wanted -- I  
18 just wasn't sure if you were referring to that  
19 one.

20 Q And what price did ShapeShift pay for  
21 each LBC?

22 A 10 cents.

23 Q And what day did that deal go down; do  
24 you know?

25 A No.

1 Q So did you look at anything in order  
2 to make that decision?

3 A We thought that the price was at a  
4 price that we thought it was a good idea to sell.

5 Q Is there any other factor besides the  
6 price?

7 A I believe the primary factor in  
8 choosing the timing, as to why we did it in  
9 November, versus December, versus January, versus  
10 any other number of months was that we felt like  
11 it was a good time.

12 Q Okay. And then, LBRY stopped selling  
13 LBC in January 20, 2018; is that correct?

14 A That appears to be correct.

15 Q And why did LBRY stop selling LBC at  
16 that time?

17 A It seemed like we had enough money for  
18 several years of operation, so as -- as we've  
19 always said, we are -- you know, we believe in  
20 the future of this company. And so I believe  
21 that it's possible that that asset will be even  
22 more valuable to the company in the future. So  
23 it seems like we had enough money to continue to  
24 operate, why sell more.

25 MR. VITO: The Flipside Crypto

1 performs that distribution is not part of the  
2 protocol. Right. That's our private server  
3 running somewhere.

4 Weekly-active users are counted  
5 as users that appear in the access table,  
6 and so that's why I was saying that in order to  
7 appear in the axis table, you're going to have to  
8 take a discrete action that call it an access;  
9 that could be reviewing a file, could be claiming  
10 an reward.

11 There's some other things that could  
12 cause it, but they're all going to be taking  
13 activity in the app.

14 Q So all of those activities, are they  
15 defined or listed somewhere?

16 A I do not think they are -- their  
17 effectively defined in the code. I don't think  
18 they're explicitly enumerated somewhere.

19 MR. VITO: When LBRY takes an  
20 activity -- so, for example, publishing a  
21 bunch of YouTube videos, right -- where do  
22 those credit -- how do they get expended?

23 THE WITNESS: So we take -- we  
24 spend from our community wallet, and then  
25 for each to -- like, for each YouTuber, we

1 create a distinct wallet file for that  
2 YouTuber.

3 MR. VITO: You create a wallet  
4 file for the YouTuber -- the actual person?

5 THE WITNESS: Yes.

6 MR. VITO: Do they have access  
7 to it?

8 THE WITNESS: So they had --  
9 yes. They have to send us an e-mail, and  
10 then we can send it to them.

11 BY MR. MOORES:

12 Q So when the YouTube synchronization  
13 program sort of involved mirroring YouTube  
14 channels on LBRY -- is that right? LBRY block  
15 protocol?

16 A I would just -- to be specific, it's  
17 basically -- it's republishing -- it's that  
18 content creator republishing their content to the  
19 LBRY network that they also published to YouTube.

20 Q And is that an automated process, or  
21 does the publisher have to specifically go into  
22 the LBRY application and, like, publish any of  
23 their, you know, weekly YouTube videos?

24 A They can -- they do not have to open  
25 the application to participate in the YouTube

1 program. They do have to open the application to  
2 collect their reward.

3 Q When they're -- so let's just say Joe  
4 -- Joe has a YouTube channel and he weekly  
5 publishes on YouTube a new video.

6 A Yes.

7 Q When Joe publishes a YouTube video on  
8 Saturday, does that YouTube -- sorry -- does that  
9 digital content that Joe created get published to  
10 LBRY's protocol on Saturday at the same time?

11 A We try to do it as fast as possible.  
12 It always happens within 24 hours.

13 Q When you say "we", you mean LBRY,  
14 Inc.?

15 A We, LBRY, Inc., yeah.

16 Q And does that -- Joe's LBRY account  
17 pop-up in the API when that happens?

18 A No.

19 So these YouTube publishing, they  
20 won't drop in here at all. Unless that YouTuber  
21 specifically opened the app themselves, it's not  
22 going to be counted in this table. This has to  
23 be people actually opening their graphical UI.

24 Q So -- and when Joe says -- "Okay, I  
25 just published a YouTube video on Saturday. I



1 know within 24 hours, it's going to hit the LBRY  
2 protocol. At that point, LBRY's going to provide  
3 me with LBC in my account." Is that right?

4 A They get the LBC essentially in the --  
5 I don't know if it's -- I think it's a yearly  
6 lump sum.

7 We wanted to switch to monthly, but I  
8 think it's just a yearly shot. So they just get  
9 what we promise.

10 Q So they just get, like, one big lump  
11 sum annually?

12 A Yeah.

13 MR. VITO: I'm sorry. I don't  
14 fully understand. Does Joe the YouTuber  
15 know that he's getting that sum?

16 THE WITNESS: Yes.

17 MR. VITO: How does he know?

18 THE WITNESS: LBRY.com/YouTube  
19 tells him what he will be getting.

20 MR. VITO: But does he -- if he  
21 doesn't know about LBRY, does he know that  
22 he's got some?

23 THE WITNESS: How does he know  
24 -- how does he not know about LBRY if he  
25 authorized to publish?